

Message Text

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22

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 CEA-01 /085 W

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R 032341Z SEP 76

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 7196

INFO ALL CONSULATES IN MEXICO BY POUCH

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E.O. 11652: N/A

TAGS: EFIN, ETD, MX

SUBJ: PESO FLOAT

REF: MEXICO 11319

1. COMMERICAL BANKS APPARENTLY RECEIVE
GUIDELINES FROM BANK OF MEXICO AT 8:45 A.M. WITH
REGARD TO DAY'S EXCHANGE RATE, WHICH CONTINUES
AT 20.40 BUYING AND 20.60 SELLING. INTEREST IN
SUBJECT REMAINS AT HIGH LEVEL.

2. REPRESENTATIVES OF PRIVATE US BANKS EXPRESSED
SURPRISE AND DISTRESS THAT ANNOUNCEMENT OF FLOAT
NOT ACCOMPANIED BY MORE WIDESPREAD PRICE CONTROLS.
THE DEMAND FOR DOLLAR IS NIL; INDEED, DOLLARS ARE
REPORTED TO BE FLOWING INTO MEXICO. MOST BANKERS
EXPECT NEED TO STRETCH OUT TERMS OF DOLLAR LOANS TO
THEIR CUSTOMERS. NO ONE HAS YET RECEIVED ANY GUIDANCE
FROM GOM ON CREDIT RESTRICTIONS. EVERYONE CONTACTED
REPORTED HIS HEAD OFFICE IN US AS CALM.

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3. ON BANKER NOTED THAT PESO HAD PROBABLY BEEN ORIGINALLY

OVERVALUED BY ABOUT 30 PERCENT BUT THAT GOVERNMENT NEW SELLING RATE AT 60 PERCENT BELOW PREVIOUS PARITY. THIS LEAVES ROOM FOR CONSIDERABLE PRICE AND WAGE INCREASE. IT COULD ALSO BE A PSYSHOLOGICAL MOVE TO SHOW PESO STRENGTHENING IN FUTURE RATHER THAN SLIPPING FUTHER.

4. ONE BANKER SAID HE EXPECTED MEXICO WILL NOW TRY TO DEVLOP BY ENCOURAGING FOREIGN CAPITAL EQUITY INVESTMENT, RATHER THAN ATTEMPTING TO FINANCE DEVELOPMENT PRIMARILY BY BORROWING.

5. BANKERS REPORTED THAT THEIR CUSTOMERS GENERALLY CALM, BUT NOTED THAT ON PAPER SOME OF THEM NOW TECHNICALLY APPROACHED BANKRUPTCY BECAUSE OF HIGHER PESO VALUE OF THEIR DOLLAR OBLIBATIONS. ANOTHER BANKER SID HE EXPECTED SOME GOM SUBSIDIES TO BE GIVEN IN SUCH CASES.

6. ONE BANK SUPPLIED US WITH COPY OF TELEX SENT BY BANK OF MEXICO SEPT 2 TO LOCAL BANKS SPELLING OUT PROGRAM TO PRESERVE COMPETITIVENESS OF MEXICAN ECONOMY. PROGRAM PARALLELS CLOSELY THAT DESCRIVED IN PRESIDENT ECHEVERRIA'S INFORME (MEXICO 11253), BUT CONTAINES TWO INTERESTING DIFFERENCES --

(A) NOTHING IS MENTIONED TO BANKS THAT NO INCREASES WILL BE PERMITTED ON FINANCE CHARGES TO HOLDERS OF SMALL LOANS (PARA 6E REFTEL).

(B) THE TELEX, BUT NOT THE SPEECH, STATES THAT THE FINANCIAL RESOURCES OF THE IMF AND US TREASURY WILL SUPPORT THE NEW ECONOMIC PROGRAM.
JOVA

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